Future Forms of British Co-operation

CO-OPERATIVE HOUSING *

by

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The term "Co-operative Housing" is one that is more flexible than is customary in Co-operative parlance. On an international scale it covers a range of practices that makes sensible discussion difficult. Such practices as whether a Co-operative retains indefinite corporate ownership or sells the units of accommodation to its members or whether the member should have a stake in the equity of the society vary widely from country to country.

Our own approach at the Co-operative Housing Agency is a strict one. A rather legalistic definition we have adopted is that a housing co-operative is "an incorporated body which owns the freehold interest or a long leasehold interest in residential property, which property is occupied by persons who are together the only shareholders of the incorporated body and who have voluntarily agreed to observe the co-operative principles and that neither their right to occupy the property nor their share in the incorporated body is an asset of which they can dispose for value".

In the British context such a definition excludes co-ownership societies which are otherwise the most numerous type of housing "co-operative". Largely an invention of the 1964 Housing Act, the co-ownership society proliferated for a time - there are some 1500

*Any views expressed in this article are not necessarily those of the C.H.A.

today - but soaring costs and interest charges have made new schemes largely uneconomic and their financial arrangements have placed considerable burden on existing schemes.

The major difference between the co-ownership society and the co-operative society as defined by the CHA is in these financial arrangements. Typically, a member of a co-ownership society who leaves after more than five years residence takes with him a "premium payment" based on a rather complicated formula which combines an element of mortgage repayment and an element of the notional increase in the value of the property. To that extent co-ownership still treats housing as a capital investment.

The co-operative society, on the other hand, pays back to the member on his departure no more than the member has contributed. Most British housing co-operatives in fact require an equal shareholding for all of their members - often as low as £1 since the remainder of their finance comes from loan and grant. Housing co-ops are not going to become savings banks.

Current Situation

According to this strict definition there are few housing co-operatives in Britain. In March of this year there were fourteen co-operatives that accorded with the earlier definition although with several of these there was not full mutuality of members and tenants (This problem should disappear over time: there are usually more members than tenants because not all members have yet been housed. Contrarily there are few cases of co-ops purchasing property with sitting tenants who have not been persuaded to join the co-op. New tenants will be required to be members, however.)

The reason for this low number of Co-operatives has been rehearsed frequently enough. The typical co-operative response to housing difficulty in Britain was in the field of housing credit through the building society which has enabled more than half of the British population to purchase their own house. Complementing that trend, local government authorities have pursued catholic housing policies which make them the largest landlord in the country. The decline of the private landlord has led to a duopoly of forms of housing tenure which, it was once believed, would meet all housing need and hence there has been an absence of a legal and administrative framework and financial support system which would encourage other forms of tenure, including the co-operative.

But the picture is not as bleak as the analysis so far might suggest. Eleven of the fourteen Co-ops have been established in the 1970's, and further than that the Co-operative Housing Agency records 67 "co-operative development groups". These are groups of people at various stages along the path of becoming full housing co-operatives: some are registered with the Registrar of Friendly Societies but do not yet own any houses or flats either having no tenancies or occupying accommodation owned for the time being by some other agency such as a housing association; others are not yet even legally corporate bodies but are making serious progress towards becoming such. All of these groups, of course, are of relatively recent origin. What has caused the recent upsurge of interest?

Recent growth of interest

There are, of course, the handful of enthusiasts who have consistently pushed the idea of housing co-ops. It is probably true to say, however, that much of the impetus for growth in the early 1970's came from two main sources. One was the "housing rights" projects, the Shelter sponsored neighbourhood action schemes, urban renewal teams and community workers operating in areas of housing stress, who came to the conclusion that the most effective means of improving housing conditions was to involve the residents of such areas and to get them to work together to solve their own problems in a co-operative way rather than rely on the benevolent outsider. Such an approach manifested itself in the Liverpool Co-ops and the North Islington Co-ops particularly.

The other major source of initiative at that time came from the housing needs of young single people, particularly in London. The original push came from students but the decline of cheap accommodation for all young single people in London extended its appeal beyond students. The approach would now be typified by the Society for Co-operative Dwellings which has so far provided two co-operative schemes for this category and has plans for several more. Another approach to the same problem is that several squatters' groups who, aware of the long term inadequacy of squatting, are turning to co-operatives as a long term solution.

Incidentally, one of the results of these roots (if they can be dignified with that description after such a short time) is the youthfulness and political radicalism of the movement's activists. In these characteristics they scarcely reflect the major growth areas in Co-ops' membership so it may not be a long term phenomenon but in the short term it is not likely to encourage fraternal relations with the retail movement.

Political Support

To complete the picture of housing co-operative growth in the last three years, however, it is also necessary to mention the strong political support it has received. Reg Freeson, appointed Minister of Housing in the incoming Labour Government of 1974, is a long-standing advocate of housing co-ops and had assisted with the establishment of two in his days as a Willesden Councillor. One of his earliest actions as Minister was to establish a working party (chaired by Harold Campbell) to look into the practical ways of facilitating co-operative development. While that working party was still deliberating, the Housing Rents and Subsidies Bill of 1975 had put into it a section which incorporated housing co-operatives into the housing association subsidy system (itself created by the 1974 Housing Act). The report of the working party later in 1975 was accepted by the government and led, for example, to the establishment of the Co-operative Housing Agency.

On a more localised basis, the busiest area of co-operative housing activity is undoubtedly in London and this has been encouraged by the Greater London Council and a few of the London boroughs. In the past two years, for example, it has been the policy of the GLC (under the particular influence of Richard Balfe of RACS, chairman of its housing development committee) to encourage the establishment of new co-operatives in its Housing Action Areas.

One of the unknown factors at the time of writing is how GLC policy in this area is going to change as a result of the change in political control and whether the existing co-operatives have the strength to survive any such changes that do occur.

But whether or not there has been political support in particular areas for co-ops, undoubtedly the publicity surrounding the working party report and subsequent political initiatives, the creation of the Co-operative Housing Agency and the financial support currently available have led to a growing interest in housing co-operatives. The major danger is obviously that the structure has no stronger foundation than current government policy and that perhaps is something we ought to go on to consider as we look forward to the prospects for housing co-operatives in Britain.

Prospects

Based on past experience, the prospects for co-operative housing in Britain cannot be said to be overwhelmingly promising. There have been previous beginnings that have started well but which have died away usually because the legal and/or financial work has been inappropriate or inadequate. Currently there have been some improvements in these areas but a number of serious difficulties remain which should perhaps be considered first.

Some might argue, for example, that current political enthusiasms for co-operative housing are in some ways a problem in that they may raise expectations which will be disappointed when the politicians are removed, leading to disillusion.

This, it might be argued, is a greater problem since co-operatives lack full legal and financial support. The Industrial and Provident Societies Act is not posing major difficulties for housing co-operatives (c.f. Credit Unions) although the Registrar is being asked to accept some relatively unfamiliar models. The major problems are presented by the housing legislation. A few examples must suffice. Most current co-operatives are operating under the 1974 Housing Act which does not recognise a housing co-operative as such. Under this Act it has been necessary to establish co-operatives as a type of housing association rather than an alternative to it. In fact the concept of collective ownership property finds legal recognition only through the agency of an incorporated body; an explanation of the position of the members tends to resort to the language of landlord and tenant which is misleading in the co-operative context. This very hybridism (apart from its unfamiliarity) increases the suspicion of lenders of private capital (like Building Societies) towards those co-operatives attempting to avoid the public loan and subsidy system.

This public loan and subsidy system being used now or prospectively by most co-ops is itself a generous one within the overall limitation of funds. Its very generosity, however, makes it a precarious system (Housing Association Grant covers on average 80% of the capital costs of schemes) and its long term survival unlikely. This system also has built into it a range of financial "allowances" which seem to make it necessary for those using the system to continue to expand if they are to meet their overheads. This may be desirable for housing associations but co-operatives often desire to remain small. Another consequence of this system is a very substantial degree of external control over a co-operative's finances and even over the standards of the accommodation it provides, which is probably necessary for agencies like housing associations which supply accommodation for non-members, but seems unnecessary for a tenants' co-operative. Further, if by good or self management a co-operative is able to make a surplus, current housing legislation prevents any distribution of that surplus to its members.

So the major difficulties for housing co-operatives at present are the lack of a satisfactory legal framework, an administrative and public financial framework created for other forms of housing organisation and therefore not very suitable, and a lack of recognition and support from sources of private finance. This last in itself results from a general underlying problem, that of unfamiliarity with the general concept of co-operative housing in Britain.

On the brighter side, it should be said that co-operative housing is attracting wider and sympathetic attention. The decline of the privately rented housing market, the soaring costs in recent years that have made owner/occupation so expensive, the difficulties of municipal housing have all created an atmosphere in which people of all political persuasions are looking around for other possibilities for housing provision. Co-operatives are only one of those possibilities but have some advantages over others. They have already attracted people by their combination of idealism and practicality into working for them (on a voluntary or professional basis) and into residence. They have attracted more than their share of younger people which bodes well for the future. They appeal, for different reasons, to all the major political parties so need not become a political football. Their success in other parts of the world demonstrates that they are not merely pipe dreams but are a practical solution to problems.

Thus there are optimistic signs and the strategy must be to use these current interests and enthusiasms to remove the major obstacles. It would certainly be a mistake to look for major progress in the short term. There is the danger that the lack of experience and desire for speed will create an atmosphere in which the apparent lack of short term progress will lead to disillusion and a loss of belief in the possibilities of housing co-operatives. It is a problem familiar to people all over the world involved in the early stages of co-operatives. Co-operatives are not a miracle cure for anything, certainly not current British housing problems. The contribution of co-operatives to the solution of these problems will be essentially a long term one based upon the experience gained and foundations laid during this current period.

Relations with other forms of Co-operatives

Housing Co-operatives in Britain are generally isolated from other types of co-op, particularly the longer established ones. In that, of course they are by no means alone. There is little contact between any of the major types of co-operatives in Britain, each of which have their own specialised federal bodies without any umbrella organisation expressing the full interests of them all.

Most readers of this article will be most familiar with the retail movement. Certainly the links between housing co-ops and retail co-ops are particularly tenuous. Partly, as mentioned previously, that is a matter of age. The bulk of the retail movement's activists are old; the bulk of the housing movement's activists are young. The age difference is intensified by political difference. The "moderate" political stance of the retail societies is distrusted by the political radicalism of the housing movement (which in any case tends to be anarchist rather than Stalinist in inspiration). But beyond that, there are further differences. It is not only the age of the activists that differ, it is the age of the organisations. The retail movement is well established and highly experienced, employing a large and skilled labour force. The housing movement is only just emerging, lacks experience and employs few workers, most of whom are learning as they go along. Partly for these reasons, partly for more philosophical ones, the present pattern of development differs radically. The retail movement officially encourages large scale operations and the amalgamation of societies, stresses the economic side of its activities and seriously considers a single national federation with more "discipline" and "order" in mind. The housing movement encourages small scale operations in which social considerations are important, delegating larger scale operations to locally based federations and stresses the importance of the reality as well as the appearance of democratic accountability.

In view of these kinds of difference it is hardly surprising that relations between the retail movement and the housing movement are not the easiest and that housing co-op. activists tend to identify their efforts with other co-operative endeavours which are innovative and small scale, often community based. Thus the sympathies and alliances are with the buying clubs and small food co-ops. that now proliferate, with credit unions, with industrial co-operatives. The range of these organisations see their interests as similar and recognise the common philosophical basis that they all share. They find it difficult to identify the established retail co-operatives with their own organisations. The sceptics might well be justified in questioning whether housing co-operatives will be quite as purist if and when they capture 7% of the housing market. Nevertheless at this point of time the relationship cannot be an easy one nor one of equals. Because of its age and experience perhaps it is justifiable to expect the retail movement to show patience and understanding and to be willing to provide assistance (in an avuncular rather than paternalistic manner).

To be more specific, there are three areas in which retail co-operatives might be of assistance to housing co-operatives. Firstly, there is the area of education in which many retail co-operatives have considerable experience. Housing co-operatives are only too pleased to have local assistance in devising appropriate educational programmes. Retail Co-ops' member education officers could have a useful role to play here. Also within this general area of education housing co-ops. are very often looking for assistance in the areas of devising rules and establishing book-keeping and financial reporting systems. Again this is an area in which retail co-ops. and their federations have considerable experience and one in which they could be of assistance to housing co-ops.

The second major area of assistance could be with finance. Although many housing co-operatives are currently relying on heavy public subsidy, in the longer term the movement must look for more private sources of finance. It is appreciated that despite the beliefs of many housing co-op. activists, retail societies do not in fact have large amounts of finance available for other activities. Nevertheless, there are sources of finance within the retail Co-operative Movement which could be made available to housing co-operatives. Is it, for example, too much to expect that the Co-operative Insurance Society acquire a reputation for respectable property investment, especially co-operative? The only insurance company currently lending money to a housing co-operative is the Commercial Union.

Finally a third major area of assistance requires what is perhaps a rather more flexible approach to food distribution than many retail societies are currently willing to adopt. Why is it not possible, for example, that the small food co-ops., some of which have attachments to housing co-ops., get their supplies from local retail co-operatives? That it can be done has surely been proved by the Oxford and Swindon Society. It would do a great deal to raise the prestige of retail co-operatives in the eyes of many community activists and in so doing could also have some spin-offs by way of trade.